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INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
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C O N F I D E N T I A L SECTION 01 OF 02 MADRID 000477

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E.O. 12958: DECL: 04/29/2013

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SUBJECT: AMBASSADOR RAISES IPR, IRAN CONCERNS WITH NEW
TRADE MINISTER

REF: A. MADRID 465

[1](#)B. MADRID 286

Classified By: Ambassador Eduardo Aguirre for reasons 1.4(b) and (d)

[1](#)1. (C) Summary: On April 24, Ambassador Aguirre informed new GOS trade minister Sebastian of Spain,s placement on the Special 301 Watch List. Sebastian expressed disappointment but vowed to work with the USG and set as a goal getting Spain off the Watch List by 2009. The Ambassador reviewed USG concerns about Iranian attempts to evade UN sanctions and obtain nuclear capability. Sebastian emphasized that Spain followed all EU policies on dealings with Iran. He had not known about GOI efforts to use Iranian banks for nuclear proliferation purposes, and he said his ministry would look into Spanish trade with Iran. The Ambassador also raised USG agricultural biotechnology concerns, and the two discussed crop prices, the USAF award of an air refueling tanker contract to EADS over Boeing, and Sebastian,s interest in increasing knowledge of English in Spain. Although we will need to continue explaining USG concerns on a wide range of issues to the new minister and his staff, we expect him to be an activist who will be responsive to our concerns. End Summary.

[1](#)2. (U) Ambassador Aguirre, accompanied by DCM and econcouns, paid an introductory call on new Minister of Industry, Tourism, and Commerce Miguel Sebastian on April 24. Sebastian was accompanied by his chief of staff and deputy chief of staff. Sebastian is a former head of the presidency economic office who is close to President Zapatero. He has little experience with IPR or Iran but is likely to be responsive to USG concerns. Post is sending biographic information septel.

IPR

[1](#)3. (SBU) The Ambassador informed Sebastian that Spain would be on the 2008 Special 301 Watch List that would be announced the following day, and he explained the Special 301 process to the Minister. He emphasized that the primary USG concern was over Internet downloads. He noted the Justice Ministry,s 2006 circular that had given many Spaniards the incorrect impression that downloading of copyrighted material was legal. He also cited enforcement problems with prosecutors and especially judges.

[1](#)4. (SBU) The Ambassador said he had explained USG IPR concerns to three trade ministers, two culture ministers, one justice minister, and Sebastian,s successor as head of the presidency economic office, but that the problems continued. He added that one important difference between Spain and

France (note: which is not on the Watch List) was the leadership shown by the French government that we have not seen in Spain. He noted that the Motion Picture Association (MPA) was so concerned about Spain that it was opening an office here and that its representative had expressed concerns about his lack of access to GOS policymakers. He also pointed out that Sebastian had said earlier in the meeting that Spain was moving away from an economy based on construction; if Spain could not protect intellectual property, the government's effort to move the economy into new industries would not work.

15. (SBU) Sebastian expressed disappointment with the decision but acknowledged the seriousness of Spain's IPR problem. He noted that, even if there were no direct economic sanctions associated with Watch List placement, it was something that investors certainly would take into account. He added that Spain's cultural sector was also concerned over deficiencies in IP protection. He said the GOS wanted to pass a new intellectual property law during this term. He did not want to blame only internet service providers for illegal downloads, but he emphasized that they would have to cooperate. He said that the same mentality that led many Spaniards to drink and drive or to ride motorcycles without helmets led many to view favorably illicit downloads. Sebastian promised that his ministry would work with the USG, and he set a goal of getting Spain off the Watch List by 2009.

Iran

16. (C) The Ambassador noted that Deputy Treasury Secretary Kimmitt had raised concerns over Iran with Spanish banks during his March visit (ref b), particularly with those banks that wanted to do business in the U.S. He noted that the GOI

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was trying to buy whatever it could despite UN sanctions, and he said the banks had understood USG concerns. On 4/21 the Ambassador had expressed similar concerns to the head of Spain's export credit insurance bank, CESCE (ref c), which has Iran as one of its top markets. He wanted to make sure that CESCE's main shareholders (Note: the GOS, which owns 50.25 percent, and the BBVA and Santander banks) understood USG concerns about Spanish trade with Iran. He also wanted to make sure that the GOS thoroughly understood the items Spanish companies were trading with Iran.

17. (C) Sebastian emphasized that Spain accepted and followed EU policies on dealings with Iran. He said he could inform banks of the USG's concern. He had not known about GOI efforts to use Iranian banks for nuclear proliferation purposes, and he said his ministry would look into Spanish trade with Iran. (Comment: Post has sent Sebastian's chief of staff information about Iranian banks, illicit activities. The Ministry's Director General for Trade and Investment is on CESCE's board. We expect that position to be filled in the next week, and we will seek an opportunity to reiterate our concern over CESCE's dealings with Iran.)

Renewable Energy

18. (U) The Ambassador informed Sebastian of the amount of cooperation between the USG and the GOS on renewable energy. He described the government/business mission to Washington and Colorado that post had organized with Sebastian's ministry and its focus on research. He said that one result of the mission had been an interest by previous ministry officials in replicating the U.S. National Renewable Energy Laboratory in Spain. He also noted upcoming energy-related events such as a September 29-30 conference being organized by the American Chamber of Commerce at which State Under Secretary Dobriansky would speak; Minister Sebastian

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expressed interest in participating. The DCM emphasized the Administration's focus on research, saying the U.S. had

spent \$36 billion on research related to clean energy and climate change.

Biotech, Airbus, and English

¶9. (U) The Ambassador raised USG interest in encouraging science-based decisions on agricultural biotechnology and noted that current high crop prices made this a favorable time for expanding use of high-yield biotech crops. Sebastian expressed concern about high agricultural commodity prices. The Ambassador informed the minister of U.S. Energy Department funding of Spanish company Abengoa to build a biofuels plant that would make celulosic ethanol rather than using food crops. Minister Sebastian welcomed the recent Air Force decision to award a multi-billion-dollar contract to build a new generation of in-flight refueling tankers to Airbus rather than Boeing; the Ambassador explained the appeals process and insisted that the Administration had ensured that the decision to award the contract was based only on the technical merits of the competing proposals. Sebastian also reminded the Ambassador of his interest in increasing the number of Spaniards who spoke English and said that although it was not his ministry,s responsibility, the GOS needed to take action.

Comment

¶10. (C) Sebastian has replaced nearly all of his ministry,s senior staff except the secretary of state dealing with intellectual property, Francisco Ros. Although we will need to continue explaining to Sebastian and his advisors USG concerns on a wide range of issues, we expect that he will be an active and responsive minister. One sign of his interest in quick action came when he noted that the first year of a government was the best time to get things done. He showed determination to improve Spain,s intellectual property protection, and we will work with his ministry to follow up on this and other issues.
AGUIRRE